GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:401
ANSWERED ON:21.08.2003
DETERMINATION OF PRICES OF LPG
NAWAL KISHORE RAI;SUSHIL KUMAR INDORA

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the average price at which the LPG is produced in the country per tonne during 2002-03;

(b) the manner in which prices which include the payment of various central taxes are determined;

(c) whether the prices of LPG for the common consumers of the country are not determined on the basis of aforesaid prices; and

(d) if so, the basis on which the prices of LPG for the common consumers are determined?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (SHRI RAM NAIK)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 401 BY NAWAL KISHORE RAI AND DR. SUSHIL KUMAR INDORA TO BE ANSWERED ON 21ST AUGUST, 2003 REGAF DETERMINATION OF PRICES OF LPG

(a) to (d): Liquefied Petroleum Gas (LPG) is produced in the country by the oil refineries and fractionators.Oil refineries produce LPG by fractioning crude oil in the crude distillation unit and in secondary processing units like Fluidised Catalytic Cracking Unit, Hydrocracker and Coker. Fractionators separate LPG from Natural Gas using fractionation. Oil refining being a continuous process industry with multi-product output viz. petrol, diesel, naphtha, kerosene, LPG, etc., separate costing for various products is not done.

Prior to 01-04-2002, when the oil sector was under the administered pricing mechanism (APM), the refinery gate prices of LPG were fixed on import parity basis. The total costs were determined after including import parity price, inland freight, bottling charges, marketing margins, etc. The consumer was, however, provided subsidy through the oil pool account mechanism and the duties and taxes were paid on subsidized price.

After the dismantling of APM, the pricing of LPG is as per the post APM subsidy schemeaccording to which the price is to be calculated on import parity basis and after accounting for the flat rate of subsidy, the oil marketing companies can revise the selling prices on account of changes in the international prices of LPG, ocean freight, inland freight, marketing margins, distributors` commission, etc.

The oil marketing companies did not revise the selling price of domestic LPG during 2002-03.However, effective 1.11.2002, LPG distributors` commission was revised, thereby increasing the retail selling price of domestic LPG in Delhi from Rs.240.45/cylinder to Rs.241.20/cylinder.